

Message Text

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PAGE 01 RABAT 05597 121645Z
ACTION NEA-10

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LIMITED OFFICIAL USE RABAT 5597

DEPARTMENT PASS EXIM FOR MORAN; USDOC FOR CAGNE

E. O. 11652: N/A
TAGS: BTRD, BEXP, MO
SUBJ: NADOR STEEL PROJECT

1. IN COURTESY CALL ON SONASID FINANCE DIRECTOR ABELKHALEK TAZI RIFFI, EMBOFF INQUIRED ABOUT STATUS OF NADOR STEEL COMPLEX IN LIGHT OF CUTBACKS IN GOM ECONOMIC DEVELOPMENT FUNDS. TAZI NOTED THAT NADOR COMPLEX WAS COMPETING WITH OTHER DEVELOPMENT PROJECTS IN CURRENT REVIEW BY GOVERNMENT PLANNERS, AND PROSPECTS FOR MAJOR MOVEMENT IN CONSTRUCTION OF THE MILLS CANNOT BE JUDGED UNTIL THE THREE YEAR PLAN IS FINALIZED NEXT MONTH.

2. ACCORDING TO TAZI, GOM IS BENEFITTING FROM WORLD OVERCAPACITY IN STEEL PRODUCTION AND NOW BUYS STEEL AT MARGINAL COST. WHILE SOME OFFICIALS SEEM TO EXPECT THIS FAVORABLE SITUATION TO CONTINUE INDEFINITELY, TAZI ARUGES THAT CYCLICAL SWINGS IN THE WORLD MARKET MAKE IT CRUCIAL TO DEVELOP A DOMESTIC STEEL CAPACITY.

3. TO LESSEN STRAINS ON THE DOMESTIC ECONOMY IN
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TERMS OF LABOR AND MATERIALS, I.E. CEMENT, THE NADOR PROJECT HAS BEEN RECENTLY REORGANIZED INTO FIVE CONSTRUCTION PHASES: (1) ROD MILL; (2) OXYGEN PLANT AND BLAST FURNANCE; (3) MERCHANT BAR MILL; (4) COKE OVENS; (5) SINTER PLANT. THIS PHASED APPROACH MIGHT ALSO INCREASE SONASID'S CHANCES OF OBTAINING A PORTION OF GOM'S LIMITED DEVELOPMENT FUNDS.

ON LEARNING THAT EMBOFF HAD MET WITH US STEEL OFFICIALS PRIOR TO ASSIGNMENT HERE, TAZI POINTEDLY ASKED ABOUT THE "STATE OF MIND OF US INDUSTRY" AND WAS ASSURED OF THEIR CONTINUED INTEREST IN NADOR PROJECT.

4. NADOR'S PROSPECTS MIGHT ALSO IMPROVE IF PETROLEUM EXPLORATION SHOWS PROMISE. TAZI HINTED THAT AN EXPLOITABLE FIND HAD BEEN REPORTED IN TAZA REGION, BUT GAVE NO FURTHER DETAILS AND SAID REPORTS OF STRIKE BEING CLOSELY HELD.

5. TAZI SAID THAT SONASID SENT TO EXIM IN JULY AN INQUIRY ADDRESSING QUESTIONS OF A TWO YEAR GRACE PERIOD AFTER CONSTRUCTION AND CAPITALIZATION OF INTEREST. REQUEST EXIM UPDATE EMBASSY ON STATUS OF PRELIMINARY LOAN COMMITMENT TO SONASID.
ANDERSON

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